

Message Text

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70

ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01

AGRE-00 FEA-01 /109 W

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R 221509Z NOV 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9113

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, EG

SUBJECT: FOREIGN EXCHANGE LAW

REF: CAIRO 11689

1. CAIRO PRESS NOVEMBER 22 GIVES EXTENSIVE COVERAGE TO EXPECTATION THAT EXECUTIVE REGULATIONS GOVERNING FOREIGN EXCHANGE LAW, WHICH WAS SIGNED INTO EFFECT AUGUST 30 (REFTEL), WILL BE ISSUED WITHIN NEXT FEW DAYS. PRESS REPORTS PLUS CONVERSATIONS WITH EGYPTIAN OFFICIALS GIVE IMPRESSION THAT NEW SYSTEM WILL BE EXTREMELY LIBERAL AS REGARDS TRANSFERS OF CAPITAL ABROAD.

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2. COMMENT: THERE ARE RUMORS THAT CONTROVERSY RAGES

WITHIN GOE FINANCIAL CIRCLES OVER EXTENT TO WHICH EGYPTIANS SHOULD BE ALLOWED TO EXPORT CAPITAL. WHILE WE HAVE NOT SEEN DRAFT REGULATIONS, IMF REP DICKEY STATES THAT THEY ARE OF A NATURE WHICH COULD LEAD TO SERIOUS CAPITAL FLIGHT. POSSIBILITY FOR ANY EGYPTIAN, REAL OR LEGAL, TO OPEAN AN ACCOUNT WITHOUT NECESSITY OF EXPLAINING SOURCE OF FOREIGN CURRENCY, AND TRANSFER FUNDS ABROAD WITHOUT RESTRICTION COULD HAVE VERY SERIOUS IMPLICATIONS FOR ECONOMY. HE IS URGING NEW MINFIN HAMID TO UNDERTAKE RESTUDY OF ENTIRE QUESTION.

3. ANTICIPATE DICKEY'S ADVICE WILL BE FOLLOWED, WHICH WOULD NECESSITATE FURTHER DELAY IN ISSUING REGULATIONS.

GENERAL CONSENSUS IS THAT DELAY, BUT ITSELF, WOULD BE BENEFICIAL TO EGYPT.
EILTS

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Margaret P. Grafeld
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